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ANNUAL REPORT 1969

File
**ANGLO AMERICAN CORPORATION
OF CANADA LIMITED**



DIRECTORS

H. F. Oppenheimer

Chairman, Anglo American Corporation of South Africa Limited and De Beers Consolidated Mines Limited.

Director, Canadian Imperial Bank of Commerce

G. W. H. Rely

Director, Anglo American Corporation of South Africa Limited and Hudson Bay Mining and Smelting Co., Limited

Eric S. Austin

President, Hudson Bay Mining and Smelting Co., Limited

Ian D. Davidson, C.B.E.

Chairman, Western Assurance Company

C. W. Engelhard

Chairman, Engelhard Minerals & Chemicals Corporation.

Director, Hudson Bay Mining and Smelting Co., Limited and Anglo American Corporation of South Africa Limited

Allan Graydon, Q.C.

Counsel, Messrs. Blake, Cassels & Graydon

T. O. Peterson

Director, The Investors Group

M. W. Rush

Director, Anglo American Corporation of South Africa Limited.

Chairman, Hudson Bay Mining and Smelting Co., Limited

Rhys M. Sale, LL.D., D.Sc.

Director, Great West Life Assurance Company

Hon. H. A. V. Smith

Chairman, Charter Consolidated Limited.

Director, Anglo American Corporation of South Africa Limited

S. Spiro

Deputy Chairman and Managing Director of Charter Consolidated Limited.

Director, Anglo American Corporation of South Africa Limited

J. D. Taylor, Q.C.

Partner, Fasken & Calvin

OFFICERS

H. F. Oppenheimer, Chairman

G. W. H. Rely, President

G. J. Risby, Vice President—Treasurer

Dr. A. E. Waters Jr., Vice President—Exploration

A. B. McKerron, Vice President

T. P. Sullivan, C.A., Secretary

Report of the Directors

SHARE CAPITAL

There was no change during the past year in the issued capital of the Company which remained at 8,429,545 shares of no par value, representing funds of \$86,085,450. Retained earnings at the end of 1969 were \$13,100,050 and the resultant shareholders' equity \$99,185,500.

The issued capital is held 30.3 per cent by the Anglo American Group, 26.1 per cent by the De Beers Group, 24.7 per cent by the Charter Consolidated Group, 10.0 per cent by companies administered by The Investors Group, and 8.9 per cent by other companies.

INCOME AND DIVIDENDS

Net income of the Company and its subsidiaries for the year 1969 was \$5,192,907, equal to 61.6 cents per share, which compared with \$4,582,167, or 54.4 cents per share the previous year. Dividends, the Company's main source of income, increased by \$683,306 to \$4,526,333. Not included in normal earnings in 1969 were exceptional gains of \$7,943,495 realized on the sale of investment holdings.

Dividend payments by the Company of 40 cents per share, which compared with 37.5 cents in previous years, absorbed \$3,371,818. After making provision for expenditure on exploration ventures of \$776,106, writing down unquoted investments by \$249,998 and sundry small items by \$22,965, an amount of \$8,715,515 was added to retained earnings.

SUMMARY OF ASSETS

The net asset value of the Company at December 31st, 1969, taking listed assets at their realizable or market value and unquoted assets at the lower of cost or Directors' valuation, was \$114,565,380, equal to \$13.59 per share. The comparable figures at the end of the previous year were \$111,126,510 and \$13.18 per share.

At the year end, the aggregate market value of listed investments, together with unquoted, at the lower of cost or Directors' valuation, held by the Company and its subsidiaries was \$127,251,570, of which an amount equal

to 83.9 per cent was invested in Canada. Interests in Canadian natural resource companies accounted for 68.6 per cent, including the shareholding in Hudson Bay Mining and Smelting Co., Limited, which represented 53.7 per cent of the total value of investments. The remaining Canadian investments at the end of 1969 included interests in transportation, 9.4 per cent; land development, 4.3 per cent; and relatively small investments, mostly in risk capital ventures, 1.6 per cent. Investments outside Canada at the year end comprised holdings directly or indirectly in U.S. companies, representing 9.3 per cent of the value of total investments, and South African securities, 6.8 per cent.

PRINCIPAL INVESTMENTS

The Company's shareholding in Hudson Bay Mining and Smelting Co., Limited was increased during 1969 by the acquisition of 83,850 shares, and at the year end amounted to 843,557 shares, or 28.0 per cent of that company's issued capital. On March 10th, 1970, the directors of Hudson Bay Mining approved, subject to ratification by shareholders, a 3—1 split of the company's capital stock.

The substantial shareholding interest in The White Pass and Yukon Corporation Limited, acquired in 1968, was increased during the year to a holding equal to 26.2 per cent of the outstanding common shares of that company. The Company continues to hold a 40 per cent shareholding interest in Francana Development Corporation Ltd., and also a 10 per cent interest in Agnew Lake Mines Limited.

The Company retained its 6.9 per cent shareholding in Great Northern Capital Corporation Limited. Under the terms of agreements entered into in 1968 with certain major shareholders of Great Northern Capital Corporation, the Company's shareholding interest would increase, in the event of the exercise of options in January 1971, to 24.8 per cent of the outstanding shares.

The policy of reducing the Company's shareholdings in De Beers Consolidated Mines Limited and in Rand Selection Corporation Limited, with the intention of

making further funds available for investment in Canada, was continued during the year.

In September 1969 the Company and Hudson Bay Mining and Smelting Co., Limited each acquired 500,000 treasury shares of New Imperial Mines Ltd. at a price of \$2.40 per share and \$1,425,000 of 7 per cent income bonds. In addition, each company was granted options exercisable until December 31st, 1972, to purchase a further 500,000 shares of New Imperial Mines at a price of \$3.00 per share. If the options are fully exercised, the Company and Hudson Bay Mining will each hold a 10.6 per cent interest in New Imperial Mines.

HUDSON BAY MINING AND SMELTING CO., LIMITED

Net earnings of Hudson Bay Mining for the year 1969 were \$29,699,000, or \$9.86 per share, compared with \$21,135,000 or \$7.42 per share the previous year. This 40 per cent improvement in earnings was attributable to high prices for copper and zinc, coupled with the treatment of tax-free ore from the Osborne Lake and Flexar mines. Four quarterly dividends of 85 cents per share were paid during the year, together with an increased year-end extra of \$1.00, making a total distribution for 1969 of \$4.40 per share compared with \$4.00 in 1968.

Metal production by Hudson Bay Mining in 1969 comprised 84.6 million pounds of refined copper, 159.4 million pounds of slab zinc and significant quantities of cadmium, selenium, gold and silver. New ore developed during the year at the various mines of Hudson Bay Mining totalled 2,137,000 tons, some 436,000 tons more than the tonnage of ore mined. Reserves of proven ore at the year end — the highest since 1958 — totalled 18,049,000 tons, averaging 3.0 per cent copper and 3.5 per cent zinc.

Good progress continued to be made at the Sylvite of Canada potash property with the engineering, equipment selection and procurement, shaft-sinking and surface construction programs proceeding almost on schedule. Expenditure by Hudson Bay Mining in 1969 on the potash property totalled \$18,519,000 and by the

end of the year an amount of \$40,232,000 had been spent on the project.

Francana Oil & Gas Ltd., in which Hudson Bay Mining has a 51.5 per cent shareholding interest, substantially increased its acreage and at the end of 1969 held working interests in petroleum and natural gas rights totalling 6,671,000 gross acres, corresponding to 2,876,000 net acres. These holdings are distributed across Canada and provide Francana Oil & Gas with representation in the Arctic Islands, the Mackenzie Delta, and the East Coast offshore area. Crude oil sales in 1969 amounted to 903,000 barrels, a slight increase over the previous year, and natural gas sales, which totalled 1.5 billion cubic feet, were also higher than in 1968. The cash flow of Francana Oil & Gas reached \$1,608,000 in 1969 compared to \$1,502,000 the previous year and net earnings reflected a small increase to \$769,000.

The operations of Hudson Bay Diecastings Limited resulted in a higher profit in 1969 despite a slight drop in sales from the \$4,000,000 level established in 1968. Zinc Oxide Company of Canada Limited, another wholly-owned subsidiary of Hudson Bay Mining, also reported increased earnings, reflecting record sales of zinc dust and zinc oxide.

Francana Minerals Ltd., 60 per cent owned by Hudson Bay Mining, completed its first year of operations with production of anhydrous sodium sulphate totalling 30,564 tons, of which 27,416 tons were delivered to customers. The plant operated at 30 per cent of rated capacity in its initial year but considerable sales improvement is predicted for 1970. In December 1969, Francana Minerals purchased Sodium Sulphate (Saskatchewan) Ltd., which has ore reserves of approximately 2,500,000 product tons amenable to dredge mining, for \$545,000. The remaining 40 per cent in Francana Minerals is owned by Tombill Mines Limited in which Hudson Bay Mining has a 38 per cent shareholding interest through a wholly-owned subsidiary.

Exploration activity by Hudson Bay Mining in 1969 included work in Manitoba, Saskatchewan, and the

Yukon Territory and under joint programs with your Company also in British Columbia, Ontario, Quebec and the Yukon Territory.

FRANCANA DEVELOPMENT CORPORATION LTD.

For the year 1969 net income of Francana Development Corporation, in which the Company has a 40 per cent interest, amounted to \$963,000 compared to \$819,000 for the year 1968. An exceptional gain of \$288,000 arising from the sale of an investment holding was not included in normal earnings for 1969.

Your Company received a dividend of \$180,000 on its holding in Francana Development Corporation in 1969 compared with \$160,000 the previous year. As in 1968, the major portion of Francana Development Corporation's revenue comprised dividends from Hudson Bay Mining and Francana Oil & Gas, its two major shareholdings.

At the year end the net asset value of Francana Development Corporation amounted to \$26,760,000 and the realizable value of the underlying assets attributable to your Company's interest was \$10,700,000, which compares with a book value of \$6,800,000. Whilst the major interests of Francana Development Corporation are in the field of natural resources, an investment is held in an established Canadian bulk trucking company and in two other industrial ventures.

THE WHITE PASS AND YUKON CORPORATION LIMITED

Net income from the operations of The White Pass and Yukon Corporation for 1969 amounted to \$1,241,000 which, together with other income of \$581,000, resulted in total net earnings for the year of \$1,822,000, compared with \$2,001,000 for the previous year. The decline in net income from operations in 1969 occurred in spite of record freight and passenger revenues and in sales of petroleum products. The company reported that the lower income was due principally to two adverse factors which occurred

during the latter half of 1969, both considered temporary, namely the operation of some of its new facilities at substantially less than projected volumes and the costly longshore strike, which commenced September 25th and ended November 8th.

The White Pass and Yukon Corporation, which operates a completely integrated ship-train-truck transportation system between Vancouver and points in the Yukon Territory, completed in 1969 the last part of a process of rehabilitation, modernization and expansion which commenced in 1953. During the year 1969 the company completed the greatest capital expenditure program in its history, involving a total expenditure of about \$22 million.

Mining developments in the area served by The White Pass and Yukon Corporation are expected to lead to additional volumes of freight.

GREAT NORTHERN CAPITAL CORPORATION LIMITED

Consolidated net income of Great Northern Capital in 1969 was \$2,107,000, compared with \$3,822,000 the previous year. Earnings, based on the weighted average number of shares outstanding in 1969, were equal to 92 cents per share and, on the same basis, were \$1.67 per share in 1968. The prior year's income included a substantial non-recurring profit on the sale of an apartment site. However, no strict comparison can be made between the results for the two years because of the changes that took place in 1969 in the organization and structure of the company. In 1969 Great Northern Capital Corporation acquired Rodell Corporation (1967) Limited, a company not engaged in land development; a new management team was brought in; nearly \$7 million was raised by the issue of 5 per cent convertible income debentures; and the company further diversified by entering into equipment leasing.

Gross revenue from land sales of \$9,043,000 showed little change in 1969 from the prior year but because of the nature of the land sold the profit margin was somewhat lower in 1969.

Rodell Corporation is engaged in contract drilling operations, in the distribution of heavy construction and industrial equipment, and in the manufacture of parts for drilling equipment and for jet engine components. It also operates a particle board plant at Sprague, Manitoba. These operations and the brick plant in Burlington, the capacity of which was recently increased by 50 per cent to 55 million bricks a year, whilst contributing to the 1969 income of Great Northern Capital Corporation, were affected by the general downturn in the economy, particularly in the second half of the year.

Great Northern Capital has concluded agreements for the purchase of two Boeing 737-249C jet aircraft, along with certain support equipment, which are being leased to Transair Limited. At the year end Great Northern Capital had an obligation in connection with the purchase of the aircraft of approximately \$9.3 million for which financing has been arranged. Two computers have also been purchased and arrangements made for their leasing.

AGNEW LAKE MINES LIMITED

In terms of arrangements entered into in 1968, your Company is committed to guarantee 20 per cent of the financing that may be required to bring the uranium property of Agnew Lake Mines to production on the same terms and conditions that Kerr Addison Mines Limited, the controlling shareholder, guarantees provision of the remaining 80 per cent. Under the financing arrangements your Company contributed \$1,100,000 during 1969.

The shaft has now been completed at a depth of 3,411 feet with stations cut at 200 foot intervals. Underground development on a modest scale was started in 1969 and the equivalent of 18,000 feet in the form of drives, raises, cross cuts, ore and waste passes, etc., has now been completed on the 500, 900, 1,300, and 1,500 foot levels. In addition, some 21,000 feet of exploratory drilling from underground has been done. Sampling of the areas thus exposed has confirmed the results obtained from the surface drilling.

The surface area has been stripped and prepared for plant construction and ore stockpiles. Metallurgical studies in preparation for plant design are being carried out and the engineering to prevent pollution by underground and stockpile drainage water has been completed.

Until contracts for the sale of uranium have been concluded construction of the surface plant is not contemplated. In the meantime, work is being continued, not only to prepare the mine for actual production, but to obtain information essential for sales negotiations.

Total expenditure to date, including financing charges, is about \$13,800,000.

NEW IMPERIAL MINES LTD.

Reference has been made earlier to the acquisition by your Company of an interest in New Imperial Mines, a copper producing company with orebodies in the Yukon copperbelt near Whitehorse.

For 1969 New Imperial Mines reports net earnings of \$4,375,000 a substantial increase over the comparable 1968 figure of \$1,259,000. Earnings per share were 52.1 cents compared to 19.8 cents in 1968, the improvement being attributable to higher production and increased copper prices.

At the end of 1969, after milling 806,000 tons during the year, the reported ore reserves, proven and inferred, totalled 9,148,000 tons averaging 1.65 per cent copper. This compares with 8,778,000 tons averaging 1.68 per cent copper at the end of 1968. Copper production for 1969 totalled 15.2 million pounds.

SOUTH AFRICAN SECURITIES

At the end of 1969 the Company's shareholdings in De Beers Consolidated Mines Limited and Rand Selection Corporation Limited, two companies with extensive diamond and gold interests, had a combined market value of \$8,643,259. De Beers, in its preliminary statement issued on March 10th, 1970, reported net consolidated profit for 1969 of \$188,335,000 (converted to

Canadian dollars at the rate of R1=\$1.50), an increase of \$13,197,000 by comparison with the previous year. After deducting \$19,897,000 for outside interests in the profit of subsidiaries, the net profit attributable to De Beers for the year 1969 was \$168,438,000, an increase of \$10,022,000. Dividends on the deferred shares totalling 21 cents were paid in respect of 1969, compared with 19.5 cents a share the previous year.

Rand Selection reported earnings of \$31,665,000 for the year ended September 30th, 1969, compared with \$29,454,000 the previous year. Dividends paid in respect of the year 1969 were increased by 3.75 cents a share to 63.75 cents a share.

Since the year end the remaining Rand Selection shares held by the Company have been sold but the Company retains a holding of 887,500 De Beers deferred shares.

OTHER INTERESTS

The Company has continued its policy of investing relatively small sums in risk capital ventures and at the end of 1969 such investments included interests in a computer time-sharing utility; an enterprise involved in servicing communications in hospitals; a small company developing and producing lasers for educational and industrial uses; and a manufacturer of electronic instruments.

PROSPECTING

During the year the Company, through its exploration subsidiary, continued to participate with Hudson Bay Exploration and Development Company Limited in prospecting programs in British Columbia, Ontario, Quebec and the Yukon Territory. Approximately 22,000 feet of surface diamond drilling tested 56 geophysical and geochemical anomalies but nothing of significance was found. Airborne and ground geophysical surveys in Quebec have located anomalies, some of which will be tested in the coming year. Prospecting and geochemical reconnaissance have provided targets for other work in the Yukon Territory.

In Mexico, Canmex Minera de México, S.A. de C.V. continued the search for porphyry type copper deposits in the State of Sonora and in the prospecting of known silver and tin deposits in the State of Durango. Nothing of economic value has yet been proved.

During the current year, there will be a further expansion of the joint program with Hudson Bay Exploration in Quebec and British Columbia. It is anticipated that your Company's expenditure this year on exploration will amount to approximately \$900,000 compared with \$776,000 in 1969.

OUTLOOK

The Proposals for Tax Reform issued as a White Paper by the Federal Government last November raise a number of serious problems for the Company and its shareholders; particularly your Company is concerned by the Paper's unfavourable treatment of resource industries which are its major investment and by the disadvantages which foreign shareholders appear likely to suffer under the envisaged tax structure. In addition, certain of the proposals militate directly against the Company's continued growth as, for example, the effect of integration on the flow of dividends between Canadian companies.

The Company's future will have to be reviewed in the light of what finally emerges as definitive Government policy in regard to taxation. In the meantime briefs have been submitted setting out the Company's views to the House of Commons and Senate committees studying the proposals.

In January, 1970, Mr. Gavin W. H. Relly was appointed President of the Company in place of Mr. Maurice W. Rush who was President of the Company from 1966 until his return to South Africa. Mr. Rush guided the growth and development of Amcan with wisdom and conspicuous success.

April 8th, 1970.

G. W. H. RELLY,
President

Consolidated statement of income and retained earnings for the year ended December 31, 1969

(with 1968 figures for comparison)

ANGLO AMERICAN CORPORATION OF CANADA LIMITED AND ITS WHOLLY-OWNED SUBSIDIARY COMPANIES

	1969	1968
Income:		
Dividends	\$ 4,526,333	\$3,843,027
Interest	1,887,532	2,480,360
Profit on trading securities—after provision for unrealized losses	662,719	1,295,710
Gain on sale of gold bullion	373,747	455,164
Profit on sale of gas leases	230,989	—
Miscellaneous	14,334	5,169
Total income	7,695,654	8,079,430
Expenses:		
Interest:		
Affiliated companies	281,752	258,840
Other	1,615,428	1,790,689
Directors' fees	12,600	13,200
Other operating expenses, less recoveries, 1969—\$183,721; 1968—\$165,840	453,378	377,395
Net expenses	2,363,158	2,440,124
Income before taxes	5,332,496	5,639,306
Provision for taxes (Note 6)	139,589	1,057,139
Net income	5,192,907	4,582,167
Gain on realization of investments	7,943,495	1,383,081
Retained earnings at beginning of the year	4,384,535	2,591,723
	17,520,937	8,556,971
Less:		
Dividends paid	3,371,818	3,161,080
Transfer to prospecting and exploration reserve (Note 4)	776,106	221,106
Amounts written off unquoted investments	249,998	759,064
Amount written off furniture and office equipment	22,300	14,165
Incorporation expenses written off	665	17,021
	4,420,887	4,172,436
Retained earnings at end of the year	\$13,100,050	\$4,384,535

The accompanying notes are an integral part of the financial statements.

Consolidated balance sheet as at December 31, 1969

(with 1968 figures for comparison)

ANGLO AMERICAN CORPORATION OF CANADA LIMITED (Incorporated under the Canada Corporations Act)
AND ITS WHOLLY-OWNED SUBSIDIARY COMPANIES

ASSETS

	1969	1968
Current assets:		
Cash	\$ 57,297	\$ 6,724
Silver—at cost (realizable value—\$960,447)	984,246	—
Gold bullion—at cost (realizable value, 1968—\$3,147,473)	—	2,789,943
Accrued interest and dividends receivable	403,928	727,436
Accounts receivable—largely due from brokers	363,433	5,791,087
Taxes recoverable	554,378	—
Notes and deposits:		
Chartered banks:		
Canadian term deposits	198,968	1,161,512
U.S. term deposits (1969—U.S. \$292,000; 1968—U.S. \$3,271,896)	313,462	3,510,974
Financial institutions:		
Canadian notes receivable	—	15,000,000
Trading securities—at the lower of cost or market value (market value, 1969—\$3,876,997; 1968—\$3,451,214) (Note 2)	3,828,059	3,192,307
Loans receivable:		
Affiliated company	—	81,806
Other	1,509,840	1,589,982
Mortgages—current portion	1,123,564	814,957
Total current assets	9,337,175	34,666,728
Quoted investments—at cost (market value, 1969—\$103,433,798; 1968—\$89,894,215) (Note 2)	88,079,057	69,854,127
Unquoted investments—at cost less amounts written off, 1969—\$1,077,369; 1968—\$827,371	23,817,771	12,291,839
Mortgages—at cost less current portion	—	1,123,564
Fixed assets (Note 3)	309,853	323,661
Interests in mining investigations—at cost less prospecting and exploration reserve, 1969—\$1,024,653; 1968—\$248,547 (Note 4)	1	1
TOTAL	\$121,543,857	\$118,259,920

The accompanying notes are an

LIABILITIES AND SHAREHOLDERS' EQUITY

	1969	1968
Current liabilities:		
Accounts payable and accrued charges	\$ 237,792	\$ 844,308
Accrued interest payable	55,611	138,206
Loans and deposits:		
Chartered banks (Note 5)	10,166,000	2,824,917
Financial institutions (1969—U.S. \$1,000,000) (Note 5)	1,073,125	13,322,000
Affiliated companies	4,591,151	5,353,630
Other:		
Canadian loans	3,186,404	198,127
U.S. loans (1969—U.S. \$2,616,690; 1968—U.S. \$4,000,000)	2,811,140	4,292,500
Income taxes payable	237,134	816,247
Total current liabilities	22,358,357	27,789,935

Shareholders' equity

Capital stock:

Authorized:

10,000,000 shares without nominal or par value

Issued and fully paid:

8,429,545 shares 86,085,450 86,085,450

Retained earnings 13,100,050 4,384,535

Total shareholders' equity **99,185,500 90,469,985**

Approved by the Board:

G. W. H. Relly, *Director*

Ian D. Davidson, *Director*

TOTAL **\$121,543,857 \$118,259,920**

Consolidated statement of source and application of funds for the year ended December 31, 1969

(with 1968 figures for comparison)

ANGLO AMERICAN CORPORATION OF CANADA LIMITED AND ITS WHOLLY-OWNED SUBSIDIARY COMPANIES

	1969	1968
Source of funds:		
Net income for the year	\$ 5,192,907	\$ 4,582,167
Depreciation and amortization	13,809	14,254
Investments realized:		
Quoted	12,501,165	5,073,719
Unquoted	2,801,761	1,217,469
Mortgages—reduction in long-term portion	1,123,564	—
Total funds provided	<u>21,633,206</u>	<u>10,887,609</u>
Application of funds:		
Investments acquired:		
Quoted	22,887,069	11,416,127
Unquoted	14,473,223	5,017,885
Mortgages—long-term portion	—	1,123,564
Dividends paid	3,371,818	3,161,080
Prospecting and exploration expenditures	776,106	221,102
Fixed assets purchased	22,300	17,178
Incorporation expenses	665	17,021
Total funds applied	<u>41,531,181</u>	<u>20,973,957</u>
Decrease in working capital for the year	<u>19,897,975</u>	<u>10,086,348</u>
Working capital at beginning of the year	<u>6,876,793</u>	<u>16,963,141</u>
Working capital (deficiency) at end of the year	<u><u>\$(13,021,182)</u></u>	<u><u>\$ 6,876,793</u></u>

The accompanying notes are an integral part of the financial statements.

Notes to the consolidated financial statements

December 31, 1969

ANGLO AMERICAN CORPORATION OF CANADA LIMITED AND ITS WHOLLY-OWNED SUBSIDIARY COMPANIES

1. Structure of Amcan Group

In the accompanying consolidated financial statements, the accounts of Anglo American Corporation of Canada Limited (Amcan) have been consolidated with those of its subsidiary companies, all of which are wholly owned:

Anmercosa Securities Limited
 Anglo Canada Holdings (Bahamas) Limited
 Anglo American Corporation of Canada Exploration Limited
 Anmercosa Finance Limited
 Anmercosa Investments Limited
 Anmercosa Ventures Limited
 Mean Investments Limited—
 incorporated November 17, 1969

2. Market Values

Market values of trading securities and quoted investments are based on closing bid prices on December 31, 1969. In the case of large shareholdings, such prices do not necessarily represent the realizable value of the companies' holdings which may be more or less than the indicated market value.

Bid prices in foreign currencies have been converted to Canadian funds at the rates of exchange prevailing at December 31, 1969.

3. Fixed Assets

Fixed assets are comprised of the following:

Land and buildings—at cost less accumulated depreciation of \$24,067	\$169,679
Leasehold improvements—at cost less accumulated amortization of \$14,679	140,173
Furniture and office equipment—at cost less amount written off of \$228,877	1
	<u>\$309,853</u>

4. Interests in Mining Investigations

Although the business of the Amcan group of companies is principally that of mining finance and, to a lesser extent, security trading, certain prospecting and exploration expenditures are made each year in respect of interests in mining investigations. The policy of the Amcan group is to provide in full against the value of these interests because the ultimate realizable value is not determinable. Accordingly, an annual appropriation is made from retained earnings sufficient in amount to reduce interests in mining investigations to a nominal value of \$1, even though further work is continuing on certain of the prospects. If an interest is proven up, sold or a participation therein is granted, the resulting recovery of value will be treated as a credit to retained earnings.

5. Security for Loans and Deposits

Loans of \$10,166,000 from chartered banks and the loan of U.S. \$1,000,000 from a financial institution are secured by the pledging of certain quoted investments.

6. Income Taxes

A substantial portion of the income is not subject to income tax, since it is comprised of dividends and interest on income bonds from tax-paying Canadian companies.

A subsidiary company has accumulated deferred exploration expenditures of approximately \$856,000 which are available for application against its income in future years.

7. Conversion of U.S. Dollar Accounts

U.S. dollar accounts in these financial statements have been converted to Canadian dollars as follows:

Current assets and current liabilities—at the rate of exchange ruling at December 31, 1969.

Unquoted investments—at the rate of exchange ruling at the date of purchase.

Income and expenses—at the rates of exchange ruling at the dates of settlement.

8. Forward Contracts

As at December 31, 1969, a subsidiary company was committed to purchase a total of U.S. \$2,251,500 on various dates to January 29, 1970, at a total cost of Canadian \$2,420,521.

Another subsidiary company was committed to purchase a total of 1,000,000 ounces of silver bullion on various dates to December 24, 1970, at a total cost of £828,994.

9. Long-term Lease Commitments

Under long-term lease agreements, a subsidiary company is committed to pay net rentals of approximately \$55,000 in each of the next three years, and approximately \$97,000 in each of the twenty years thereafter.

10. Commitment—Agnew Lake Mines Limited

As part of its participation in a programme to provide financing for Agnew Lake Mines Limited, Amcan has agreed to guarantee 20% of any bank loan to Agnew Lake Mines Limited, if such loan were guaranteed as to 80% thereof by Kerr Addison Mines Limited. No such guarantees are presently contemplated, Agnew Lake Mines Limited's financing being currently provided through the sale of units consisting of 7% debentures and common shares. Companies in the group acquired \$2,700,000 worth of these units prior to December 31, 1969, and there is an undertaking to acquire in 1970 an additional \$480,000 of such units. As at December 31, 1969, the maximum amount for which Amcan may become liable under the guarantee is \$3,900,000, this figure to be reduced by the cost of any units purchased subsequent to that date.

11. Interest in Great Northern Capital Corporation Limited

As at December 31, 1969, a subsidiary company held 160,750 shares of Great Northern Capital Corporation Limited (G.N.C.) which represents 6.91% of the issued shares of that company. The subsidiary has entered into agreements with certain G.N.C. shareholders under which it may be obliged to acquire, in January 1971, an additional 416,000 shares. In certain circumstances, a further 100,000 shares could be acquired in November 1970 in terms of the agreements. The value of these shares, based on the closing bid price on The Toronto Stock Exchange on December 31, 1969 for G.N.C. shares, approximated the aggregate purchase value specified in the agreements.

12. Comparative Figures

Certain 1968 figures in the consolidated financial statements have been restated to conform to the 1969 presentation.

Auditors' report

To the Shareholders of
Anglo American Corporation of Canada Limited:

We have examined the consolidated balance sheet of Anglo American Corporation of Canada Limited and its wholly-owned subsidiary companies as at December 31, 1969 and the consolidated statements of income and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1969 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

DELOITTE, PLENDER, HASKINS & SELLS
Chartered Accountants.

TORONTO, ONTARIO,
March 6, 1970.

